

Washington State Auditor's Office

Audit Report

Audit Services

Report No. 58021

**ISLAND COUNTY FIRE PROTECTION DISTRICT NO. 1
DBA CAMANO ISLAND FIRE AND RESCUE**

Island County, Washington

January 1, 1994 Through December 31, 1995

Issue Date: February 28, 1997

TABLE OF CONTENTS

	Page
<hr/> Management Section <hr/>	
Independent Auditor's Report On Compliance With State Laws And Regulations . .	M-1
Schedule Of Findings:	
1. District Officials Should Improve Controls Over Cash Receipts	M-3
<hr/> Financial Section <hr/>	
Independent Auditor's Report On Financial Statements And Additional Information	F-1
Financial Statements:	
Fund Resources And Uses Arising From Cash Transactions - 1995	F-3
Fund Resources And Uses Arising From Cash Transactions - 1994	F-4
Notes To Financial Statements	F-5
Additional Information:	
Schedule Of Long-Term Debt - 1995	F-9
Schedule Of Long-Term Debt - 1994	F-10
<hr/> Addendum <hr/>	
Directory Of Officials	A-1

ISLAND COUNTY FIRE PROTECTION DISTRICT NO. 1
DBA CAMANO ISLAND FIRE AND RESCUE
Island County, Washington
January 1, 1994 Through December 31, 1995

**Independent Auditor's Report On Compliance With State
Laws And Regulations**

Board of Commissioners
Island County Fire Protection District No. 1
Camano Island, Washington

We have audited the financial statements, as listed in the table of contents, of Island County Fire Protection District No. 1, Island County, Washington, as of and for the fiscal years ended December 31, 1995 and 1994, and have issued our report thereon dated November 13, 1996.

We also performed tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the district complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office.

Compliance with these requirements is the responsibility of the district's management. Our responsibility is to make a reasonable effort to identify any instances of misfeasance, malfeasance, or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the district and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an overall opinion on compliance with these requirements. Accordingly, we do not express such an opinion.

Material instances of noncompliance are (1) failures to follow requirements or violations of prohibitions contained in statutes, regulations, contracts, or grants that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the financial statements or (2) considerable failure to comply with the laws and the *Constitution of the State of Washington*, the district's ordinances and orders, and the requirements of the State Auditor's Office. The results of our tests of compliance disclosed an instance of noncompliance that may materially affect the financial statements, the effects of which have not been corrected in the district's financial statements. The material instance of noncompliance noted during our audit is disclosed in the accompanying Schedule of Findings.

We considered the instance of noncompliance in forming our opinion on whether the district's financial statements are fairly presented, in all material respects, in conformity with the prescribed basis of accounting and the statutory provisions described in paragraph two of this report.

Except for the material instance of noncompliance disclosed in the Schedule of Findings accompanying this report, the results of our tests of compliance indicate that, with respect to the items tested, the district complied, in all material respects, with the provisions referred to in the second and third

paragraphs of this report, and with respect to items not tested, nothing came to our attention that caused us to believe that the district had not complied, in all material respects, with those provisions.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

November 13, 1996

ISLAND COUNTY FIRE PROTECTION DISTRICT NO. 1
DBA CAMANO ISLAND FIRE AND RESCUE
Island County, Washington
January 1, 1994 Through December 31, 1995

Schedule Of Findings

1. District Officials Should Improve Controls Over Cash Receipts

During our audit of Island County Fire District No. 1, we noted weaknesses with internal controls over cash receipting. We found a lack of segregation of important duties and missing records. We discussed similar problems and made suggestions to improve controls with district officials during our last audit.

The district secretary receipts money and makes bank deposits. Receipts are held for up to two weeks before deposit with the bank. Further, no individual reconciles receipts with deposits or the reports from the county treasurer. Additionally, district officials do not always issue receipts, making it difficult to determine if all money received is deposited intact. In 1995, district officials began using a receipt book; however, they were unable to locate 44 of the 189 receipts written.

RCW 43.09.200 states in part:

The accounts shall show the receipt, use, and disposition of all public property, and the income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction.

The above weaknesses make it impossible to determine if all funds received by the district were deposited with the county treasurer. We determined that \$343 received from January 1995 through July 1996 was not deposited with the county treasurer and district officials are unable to explain the disposition of these funds.

We recommend that district officials:

- a. Write receipts for all money collected.
- b. Account for all receipts issued or voided.
- c. Deposit the money intact with the bank timely.
- d. Reconcile receipts to deposits and reports from the county treasurer. This reconciliation should be performed by someone who does not receipt money or make bank deposits.
- e. Retain all documents necessary to isolate and prove the validity of every transaction.

Auditee's Response

We received the following response to our finding in a letter dated December 17, 1996, from District Fire Chief Scott Koehler.

In response to your finding on "Control Over Cash Receipts", please be advised that this Fire District did implement, immediately following the last audit, the use of a receipt book) as requested by your office. We also attempted to comply with all the Exit Item instructions given by the previous auditor. His instructions were not as well defined, nor as well explained, as yours were in the Exit Meeting for this audit period.

To address this year's Finding, please be advised that the agency shall immediately implement the following procedures:

- 1. A serialized receipt shall be written for all money collected.*
- 2. A sign, reminding citizens to obtain a receipt for any payments made, shall be posted at the counter in the reception area of the Administration Office.*
- 3. Moneys received shall be deposited with our bank within 24 hours during regular weekdays) within one working day when weekends and holidays interfere with normal operations.*
- 4. Track all receipts issued or voided on a monthly basis, at the end of each month.*
- 5. Reconcile receipts to deposits, and to reports from the County Treasurer on a monthly basis, done by the 15th of each month.*

NOTE: until sufficient staff is hired to separate the District Secretary from the duties associated with both receipt of money and deposit of same into the assigned bank, this reconciliation shall be double initialed by the District Secretary and a second member of the Administrative Staff (District Fire Chief, Operations Chief, Public Education Coordinator -or- the Chairman of the Board of Fire Commissioners).

- 6. All financial records shall be filed and retained on the following schedule:*
 - * When transaction occurs*
Attach deposit slip to receipt
 - * At the appointed reconciliation interval*
Report on receipts) end of month
Reconciliation of deposits with County Report) 15th of each month
 - * At the end of the calendar year*
Receipt book
Summaries of Receipt Reports
Reconciliation Reports

Please let me know if this information is acceptable to you.

Thank you for your time and effort in helping us to improve our accounting system.

Auditor's Concluding Remarks

We appreciate the chief's thoughtful response to our finding. However, we do not agree with his criticism of our previous audit. Instructions given to the chief at the end of our previous audit clearly mentioned weaknesses in cash receipting controls and also included the same suggestions contained in our current report finding. We look forward to following up on the district's progress during our next audit.

ISLAND COUNTY FIRE PROTECTION DISTRICT NO. 1
DBA CAMANO ISLAND FIRE AND RESCUE
Island County, Washington
January 1, 1994 Through December 31, 1995

**Independent Auditor's Report On Financial Statements And Additional
Information**

Board of Commissioners
Island County Fire Protection District No. 1
Camano Island, Washington

We have audited the accompanying statements of Fund Resources and Uses Arising from Cash Transactions of the various funds of Island County Fire Protection District No. 1, Island County, Washington, for the fiscal years ended December 31, 1995 and 1994. These financial statements are the responsibility of the district's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the district prepares its financial statements on the cash basis of accounting that demonstrates compliance with Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor, which is a comprehensive basis of accounting other than generally accepted accounting principles.

A substantial portion of the revenues of the district consists of locally collected charges and fees. It was not practicable to satisfy ourselves with respect to these revenues beyond the amounts recorded by the county as received.

In our opinion, except for the effect, if any of the matters discussed in the preceding paragraph, and except that omitted disclosures might influence a user's conclusions about the district's transactions, the accompanying financial statements referred to above present fairly, in all material respects, the recognized revenues and expenditures of the funds of Island County Fire Protection District No. 1 for the fiscal years ended December 31, 1995 and 1994, on the cash basis of accounting described in Note 1.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedules of Long-Term Debt are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected

to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Brian Sonntag
State Auditor

November 13, 1996